

## Budget summaries

### Budget 2014 - Student Measures

The Government will continue the *Higher Education Loan Programme* (HELP) loans so that eligible students do not have to pay their fees up-front. It will amend the repayment arrangements to achieve savings of \$3.2 billion over four years from 2014-15.

A new minimum threshold will be established for the repayment of HELP debts, set at 90 per cent of the minimum threshold that would otherwise have applied in 2016-17. The new minimum threshold is currently estimated to be \$50,638 in 2016-17. A new repayment rate of 2 per cent of repayment income will be applied to debtors with incomes above the new minimum threshold. There will be no other change to current repayment rates.

The annual indexation applied to HELP debts will be adjusted from the Consumer Price Index to a rate equivalent to the yields on 10 year bonds issued by the Australian Government, capped at 6.0 per cent per annum, from 1 June 2016.

The HECS-HELP benefit, which was intended to provide an incentive for graduates of particular courses to take up related occupations or work in specified locations will end from 2015-16. This follows a recommendation of the Review of the Demand Driven Funding System that the benefit be discontinued as there was little evidence that it had been effective in addressing skill shortages. This measure will achieve savings of \$87.1 million over three years.

The Government will remove the 25 per cent loan fee applied to FEE-HELP (*Higher Education Loan Programme*) loans for fee-paying undergraduate courses and 20 per cent loan fee applied to VET FEE-HELP loans for eligible full fee-paying students in higher level vocational education and training courses. Removing the FEE-HELP and VET FEE-HELP loan fees will improve equity in the provision of loans to students attending higher education providers as the majority of students who take out HELP loans are not required to pay loan fees. This measure is estimated to reduce revenue by \$723.2 million over three years and increase expenses by \$22.4 million over the same period.

A decision was made in the 2013-14 Budget to convert the SSS into an income contingent loan for full-time higher education students in receipt of Youth Allowance, Austudy or ABSTUDY. The Government will achieve savings of \$503.8 million over five years (including \$15.9 million in revenue savings over three years) by ceasing grandfathering arrangements for recipients of the Student Start-up Scholarship (SSS) from 1 January 2015.

The Government will achieve savings of \$290.1 million over five years by removing Relocation Scholarship Assistance for students relocating within and between major cities. Access to the Relocation Scholarship will remain available to students moving from or to regional areas for the purpose of undertaking higher education. Additionally, assistance will be available to students from major cities who have to move to pursue courses that are only offered by regional education providers.

The Government will reduce the Research Training Scheme (RTS) funding from 1 January 2016 and allow higher education providers to introduce student contributions for students undertaking higher degrees by research, including doctoral and masters degrees. This is estimated to achieve savings of \$173.7 million over three years from 2015-16. Higher education providers would be able to charge a student contribution up to a maximum of \$3,900 per equivalent full-time student (EFTS) for high cost courses and \$1,700 per EFTS for low cost courses. Eligible students would have access to loans under the *Higher Education Loan Programme* to defer the payment of their student contributions.

## Budget 2014 – Research Measures

### Measures Directly Affecting University Research Funding

The Government plans to establish a Medical Research Future Fund (MRFF) with capitalisation of \$20 billion by 2019-2020, with dividends of \$1 billion per annum from this point. The initial investment in the MRFF will be \$1 billion of uncommitted funds from the Health and Hospitals Fund (HHF). Additional MRFF investments will be supported by identified savings in the Health budget, including the \$7 GP co-payment. As such, the establishment of, and future investment in, the MRFF will be dependent on the passage of highly contentious legislation.

On this, Chris Bowen has stated that medical research “shouldn't be paid for by putting it on the backs of people who go to the doctor and fundamentally trashing Medicare.” The Greens have also come out in opposition to funding medical research through the GP co-payment.

To meet its pre-election commitments on health and medical research, the Government will provide \$200 million over five years for Dementia Research, including the establishment of a National Dementia Research Institute. Further, the Government will:

- support the expansion of the Australian Institute of Tropical Health and Medicine at James Cook University with \$42 million over five years, funded out of the ARC Linkage programme And;
- provide \$9 million over three years to support the continued operation of the National Climate Change Adaptation Research Facility at Griffith University.

Partially offsetting investments in health and medical research is an efficiency dividend of 3.5% in 2015-16 applied to ARC administered funds. This will save \$74.9 million over three years. We understand that the application of the efficiency dividend is more likely to be at the expense of project funding than fellowship programmes.

Future fellowships will be funded on an ongoing basis, initially with \$140 million over four years. New fellowships will be restricted to Australian researchers only.

The Government will provide \$150 million in 2015-16 for the continuation of NCRIS. This funding would appear to be a stop-gap measure while the Government develops a research infrastructure funding strategy.

The Government will also continue the Australia-China Science and Research Fund with \$10 million over four years.

Indexation arrangements for all Higher Education programmes (both research and teaching) will be changed to use the CPI as the basis for indexation rather than the Higher Education Grants Index. This is projected to save \$203 million over three years though the impact on research programmes specifically has not been provided.

From 2016 universities will be able to charge Postgraduate Research students up to \$3,900 per EFTSL for high cost programmes and \$1,700 per EFTSL for low cost programmes. Students will be eligible for HELP loans to finance these fee payments. There will be a commensurate reduction in RTS funding of 10% from 2016, saving the Government \$174 million over three years.

### **Other measures relevant to Universities and research**

The Government will provide \$10 million over five years to develop a nationally consistent approach to the way clinical research trials are overseen and conducted and to streamline and simplify NHMRC application and assessment processes.

The rates of the refundable and non-refundable offsets for the Research and Development Tax Incentive will be reduced by 1.5 percentage points, effective from 1 July 2014. This will gain the Government around \$600 million over the budget years.

The Government will establish the Entrepreneur's Infrastructure Programme (EIP) to support "the commercialisation of good ideas, job creation and lifting the capability of small business, the provision of market and industry information, and the facilitation of access to business management advice and skills from experienced private sector providers and researchers."

EIP will be funded from the abolition of several existing agencies and programmes, including:

- Commercialisation Australia;
- Enterprise Connect; and
- Industry Innovation Precincts and the associated Industry Innovation Fund.

The future of the two existing Industry Innovation Precincts, including La Trobe University's co-hosted Food Innovation Australia Ltd, is not clear.

EIP will also be funded through a reduction of approximately \$84 million over four years in funding for the CRC programme. As a result the 17<sup>th</sup> CRC funding round will not proceed.

The Government will provide an additional \$100 million over four years to fund research in partnership with Rural Research and Development Corporations, but achieve savings of \$11 million over four years by reducing annual appropriation funding for the Rural Industries Research and Development Corporation.

Research funding for several other agencies will be reduced, including:

- CSIRO (\$111 million over four years). CSIRO will receive \$65.7 million over four years to operate the Research Vessel Investigator and contribute a further \$21.2 million over four years from existing resources for this project;
- Australian Nuclear Science and Technology Organisation (\$28 million over four years). The agency will in turn receive \$32 million over four years towards the costs of operating the Open Pool Australian Lightwater nuclear research reactor at full capacity; and
- Australian Institute of Marine Science (\$8 million over four years).

Additional measures include:

- The Government will abolish the Australian Renewable Energy Agency, achieving savings of \$1.3 billion over five years;
- The Government will provide \$28 million over four years for the following activities as part of a national strategy for science engagement:
  - \$6 million for the Prime Minister's Prizes for Science,
  - \$13 million for National Science Week and the Strategic Science and Communication Programme, and
  - \$9 million for the Questacon Smart Skills National Technology Learning Programme and Equity of Access Programme;

- The Government will reduce funding to the Fisheries Resources Research Fund Programme by \$4 million over three years. Funding of more than \$2 million per annum will continue to be available; and
- The Government will provide \$18 million over four years to the Orygen Youth Health Research Centre (University of Melbourne) to establish and operate a National Centre for Excellence in Youth Mental Health.

### **Medical Research Future Fund**

The Government plans to establish a Medical Research Future Fund (MRFF) with capitalisation of \$20 billion by 2019-2020, with dividends of \$1 billion per annum from this point. The initial investment in the MRFF will be \$1 billion of uncommitted funds from the Health and Hospitals Fund (HHF).

Additional MRFF investments will be supported by identified savings in the Health budget, totalling \$10.3 billion over the forward estimates to 2017-18. Twenty-four measures in 2014 budget have been identified which contribute to the MRFF over the forward estimates. Of these, four measures account for almost 80% of the \$10.3 billion. They are:

- Co-payments for general practitioner and out-of-hospital pathology and diagnostic imaging services (\$3.5 billion in savings over the forward estimates, 34% of the total);
- Changes to public hospital funding arrangement through ceasing the funding guarantees under the National Health Reform Agreement 2011, and revising Commonwealth Public Hospital funding arrangements from 1 July 2017 (\$1.8 billion, 17%);
- Pausing indexation of some Medicare Benefits Schedule fees and income thresholds for the Medicare Levy Surcharge and Private Health Insurance Rebate (\$1.7 billion, 16%); and
- Increasing Pharmaceutical Benefits Scheme co-payments and safety net thresholds (\$1.3 billion, 12%).

All of the measures above are highly contentious, particularly the co-payment for general practitioner and out-of-hospital pathology and diagnostic imaging services. Labor, Greens and the Palmer United Party have already announced their opposition to this measure. No legislation can pass the Senate without the support of at least one of the above.

Should the MRFF be established, the disbursements from the fund will be administered by the NHMRC. The fund does appear to be heavily focussed on medical research (as opposed to health and medical research) as this is the only term used throughout both the budget and supporting documentation.